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SACHI A. HAMAI
Chief Executive Officer

May 17, 2016

To: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
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Supervisor Michael D. Antonovich

From: Sachi A. Hamai
Chief Executive Officer

STATE BUDGET - ANALYSIS OF THE GOVERNOR'S FY 2016-17 MAY BUDGET REVISION

OVERVIEW

On May 13, 2016, Governor Jerry Brown released his $173.1 billion May Revision to the FY 2016-17 Proposed Budget, which provides $124.9 billion in State General Fund expenditures, includes $2.7 billion in total reserves, and projects a $6.7 billion Rainy Day Fund balance by June 2017. The Administration reports that overall, the revenue forecast for FY 2014-15 through FY 2016-17 is $1.9 billion less than the January Budget projections.

STATE GENERAL FUND EXPENDITURES				
	FY 2015-16	FY 2016-17	Dollar Variance	Percentage Variance
Total Resources Available	$120.4 billion	$124.9 billion	$4.5 billion	3.7%
Total Expenditures	$115.6 billion	$122.2 billion	$6.6 billion	5.7%
Fund Balance/Reserve	$4.8 billion	$2.7 billion	-$2.1 billion	-43.8%
Budget Stabilization/ Rainy Day Fund	$3.4 billion	$6.7 billion	$3.3 billion	97.1%

At his press conference, Governor Brown indicated that as the economy has recovered since the recession, the State has made significant increases in permanent spending obligations which have increased State General Fund costs by over $19.0 billion annually. The Governor noted that barring any significant changes over the next two years, the State Budget will be in balance. However, he cautioned that by FY 2019-20, the State will experience an annual shortfall of $4.0 billion due, in large part, to the expiration of the temporary taxes approved by voters under Proposition 30 of 2012. The Governor also indicated that this budget shortfall does not take into consideration the likelihood of an economic slowdown or a recession.

The Governor reflected that in November 2016, the voters will be given the chance to extend Proposition 30 taxes for another 12 years. However, he indicated that even if the voters approved an extension of the taxes, the State's longer-term budget outlook would come into balance, but only by "a few hundreds of millions of dollars each year." The Governor stressed that maintaining a balanced State Budget for the long-term will be an ongoing challenge and that the State will continue to experience year-to-year fluctuations, risks, and cost pressures.

The Governor's May Revision focuses on the following proposals:

- Education - provide an additional $2.9 billion in new Proposition 98 funding for K-12 education.

- Homelessness - endorse the Senate's "No Place Like Home" proposal to securitize Proposition 63, Mental Health Services Act funds to provide up to $2.0 billion in bonds for supportive housing for chronically homeless persons with mental illness. The May Revision reflects first-year funding of $267.0 million from the bond proceeds.

- Housing - reduce housing costs for low-income persons. The May Revision reflects $3.2 billion in new and existing State and Federal funding and award authority for various affordable housing programs. The Administration notes that the lack of affordable housing contributes to the State's disproportionately high share of the nation's homeless and chronically homeless.

- Transportation - maintain the January Budget transportation package to provide $36.0 billion over the next decade to improve the maintenance of highways and roads, expand public transit, and improve critical trade routes.

Estimated County Impact

Based on a preliminary analysis of the information available at this time, it appears that the County will not experience any loss of funding or program reductions from the Governor's May Revision.

This office is working with affected departments and will keep the Board advised of any potential impact on the County once additional details of the May Revision are released.

Attachment I provides a summary of the May Revision items of interest to the County.

Key Elements of the Governor's May Revision of Interest to the County

Homelessness and Housing. The May Revision includes the following items related to homeless and housing of interest to the County:

- Senate "No Place Like Home" Proposal. The May Revision endorses the Senate's "No Place Like Home" proposal which would redirect $130.0 million in Proposition 63, Mental Health Services Act funds to securitize up to $2.0 billion in bond funding for the construction of supportive housing for homeless persons with mental illness. The Administration indicates that this funding would enable the California Department of Housing and Community Development to develop and administer homelessness and affordable housing programs through a Mental Health Services Act-Supportive Housing Program and Tenant-Based Rental Assistance Program, with a particular focus on chronic homelessness. The May Revision proposes first-year funding of $267.0 million from the bond proceeds.

  As previously reported, "No Place Like Home" would amend Proposition 63 to create a $2.0 billion revenue bond in which the debt service would be paid from annual Proposition 63 revenues. Under the proposal, bond proceeds would be distributed to counties on a competitive basis for acquisition, design, construction or reconstruction of permanent supportive housing. **The Senate has not introduced legislation to enact "No Place Like Home." Details are expected to be released as part of the State Budget negotiations. As directed by the Board, this office is working with affected departments to determine the County impact of this proposal.**

- Housing. The May Revision proposes legislation to increase the availability of affordable housing by requiring ministerial, or by-right, land-use entitlement provisions for multifamily infill housing developments that include an affordable housing component. The Administration notes that local zoning and permitting decisions surrounding housing have contributed to low inventories, even though demand has steadily increased. Under the Administration's proposal, local governments would not be able to require a conditional use permit, a planned unit development permit, or other discretionary local government review or approval for qualifying developments that include affordable housing (provided they are consistent with general plan and zoning standards, and where applicable, are subject to mitigating measures to address potential environmental harm).

The Administration also is supportive of other initiatives that would increase housing supply but not create State reimbursable mandates, such as increasing the inventory of accessory dwelling units, relaxing parking requirements for these units, and providing clarity on the State's Density Bonus Law. **This office is working with affected departments to determine the County impact of this proposal.**

Public Safety Programs. The May Revision includes the following items related to public safety programs of interest to the County:

- Correctional System and Infrastructure Funding. The May Revision reiterates the Administration's commitment to continue working with Los Angeles County to create a more collaborative and efficient State and local correctional system. While the May Revision does not include any specific proposals, it does note that one possible approach would be the creation of a joint use correctional treatment facility to serve as a diversion program for State and local inmates with high mental health or substance use disorder treatment needs.

- Local Correctional Facilities. The May Revision maintains the Governor's January Budget proposal to allocate $250.0 million for local jail construction and rehabilitation projects with an emphasis on building better beds, treatment, and programming space rather than simply increasing jail capacity.

- Proposition 47 of 2014. The May Revision includes higher estimates for statewide savings from Proposition 47, projected at $39.4 million, an increase of $10.2 million compared to the estimates in the Governor's January Budget. These estimates include $25.6 million statewide in FY 2016-17 for the local recidivism reduction grant program. In addition, the Department of Finance now projects future, ongoing savings of approximately $62.6 million annually statewide, an increase of $5.2 million from the January Budget estimates.

Transportation. The May Revision maintains the Governor's January transportation package to provide $36.0 billion over the next decade to improve the maintenance of highways and roads, expand public transit, and improve critical trade routes. The package includes a combination of new revenues, additional investment of Cap and Trade auction revenue, accelerated loan repayments, Caltrans efficiencies and streamlined project delivery, accountability measures, and constitutional protections for the new revenues. Proposed new revenues would be split evenly between State and local transportation priorities. It is estimated that the Governor's transportation package will provide $13.5 billion over ten years in new funding to local governments for local roads. Transit and intercity rail is projected to receive $4.0 billion in additional funding.

The Legislature is considering a separate transportation measure introduced in the Special Session. **County-supported SBx1 1 (Beall)** would enact the Transportation Infrastructure and Economic Investment Act and create a $6.5 billion funding package to address the maintenance backlog for the State's roads and transportation infrastructure. The Department of Public Works indicates that under SBx1 1, the County would receive approximately $293.0 million in FY 2016-17, and $245.0 million annually thereafter, for transportation system preservation, maintenance, and operation of streets and roads in the unincorporated areas. The Administration and the Legislature are expected to continue negotiations on transportation legislation during the Budget deliberation process.

We will continue to keep you advised.

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VE:IGEA:ma

Attachments

c: All Department Heads

Attachment I

Governor's FY 2016-17 May Budget Revision

<u>Homelessness and Housing</u>

Senate "No Place Like Home" Proposal. The May Revision endorses the Senate's "No Place Like Home" proposal which would redirect $130.0 million in Proposition 63, Mental Health Services Act funds to securitize up to $2.0 billion in bond funding for the construction of supportive housing for homeless persons with mental illness. The Administration indicates that this funding would enable the California Department of Housing and Community Development to develop and administer homelessness and affordable housing programs through a Mental Health Services Act-Supportive Housing Program and Tenant-Based Rental Assistance Program, with a particular focus on chronic homelessness. The May Revision proposes first-year funding of $267.0 million from the bond proceeds.

As previously reported, "No Place Like Home" would amend Proposition 63 to create a $2.0 billion revenue bond in which the debt service would be paid from annual Proposition 63 revenues. Under the proposal, bond proceeds would be distributed to counties on a competitive basis for acquisition, design, construction or reconstruction of permanent supportive housing. **The Senate has not introduced legislation to enact "No Place Like Home." Details are expected to be released as part of the State Budget negotiations. As directed by the Board, this office is working with affected departments to determine the County impact of this proposal.**

Housing. The May Revision proposes legislation to increase the availability of affordable housing by requiring ministerial, or by-right, land-use entitlement provisions for multifamily infill housing developments that include an affordable housing component. The Administration notes that local zoning and permitting decisions surrounding housing have contributed to low inventories, even though demand has steadily increased. Under the Administration's proposal, local governments would not be able to require a conditional use permit, planned unit development permit, or other discretionary local government review or approval for qualifying developments that include affordable housing (provided they are consistent with general plan and zoning standards, and where applicable, are subject to mitigating measures to address potential environmental harm).

The Administration also is supportive of other initiatives that would increase housing supply but not create State reimbursable mandates, such as increasing the inventory of accessory dwelling units, relaxing parking requirements for these units, and providing clarity on the State's Density Bonus Law.

The Administration indicates a commitment to examining other opportunities to impact housing and its affordability, and reports it will release the 2025 Statewide Housing Plan this summer which will frame California's housing challenges and opportunities. The Plan also will provide an analysis of the potential tools, resources, and State actions needed to address housing undersupply and affordability.

The Community Development Commission reports that while it concurs with the Administration's efforts to increase housing supply, any proposals for additional legislation requiring ministerial "by-right," land-use entitlements for multifamily infill housing developments that include an affordable housing component should be weighed against potential infringement upon our local land-use authority and permitting processes.

This office is working with affected departments to determine the County impact of this proposal.

Attachment II is a chart of Affordable Housing and Homelessness Funding reference in the May Revision.

<u>Health Care</u>

Medi-Cal Expansion - County Indigent Savings. The May Revision assumes estimated savings of $749.9 million in FY 2015-16 and $643.4 million in FY 2016-17 statewide in 1991 Health Realignment funding from counties to the State. These savings are attributable to potential county indigent health care savings due to the implementation of the Medi-Cal expansion under the Federal Affordable Care Act. These estimates are based on the methodologies contained in AB 85 (Chapter 24, Statutes of 2013) which modified the distribution of 1991 Health Realignment funding to capture and redirect county savings to the State. The Administration also estimates that actual county savings in FY 2013-14 were $177.4 million lower than the $300.0 million redirected to the State. **The Department of Health Services (DHS) indicates that there are issues in the calculation of the AB 85 savings estimates. DHS advises that the State Department of Health Care Services is working with the Department of Finance on this matter.**

Medi-Cal 2020 Waiver. The May Revision includes $2.2 billion in Federal revenue for the renewal of the 1115 Medicaid Waiver, Medi-Cal 2020 that began on January 1, 2016. **DHS estimates that the County will receive approximately $3.5 billion in Federal funding over the five-year period of the Medi-Cal 2020 Waiver.**

Extension of Medi-Cal to Undocumented Children. The May Revision provides $188.2 million statewide to extend full-scope Medi-Cal benefits to 185,000 undocumented children under 19 years of age effective May 1, 2016, as provided under SB 75 (Chapter 18, Statutes of 2015). **The Department of Public Social Services (DPSS) estimates that in December 2015, 36,942 undocumented children under 19 years of age who received limited-scope Medi-Cal benefits would be eligible**

for full-scope Medi-Cal benefits under the expansion. DHS estimates that approximately 24,000 uninsured children currently receiving health care services provided by the County are potentially eligible for Medi-Cal benefits under the expansion.

Medicaid Managed Care Regulations. In April 2016, the Federal Centers for Medicare and Medicaid issued final Medicaid managed care regulations related to fee-for-service access standards and service monitoring. The Administration notes that there are several components of the regulations that could negatively impact California's Medi-Cal managed care programs, and that could result in State General Fund costs in the hundreds of millions of dollars annually. Therefore, the impact of the new regulations is unknown at this time.

Social Services

In-Home Supportive Services (IHSS). The May Revision includes the following key provisions related to the IHSS Program:

- IHSS Compliance with Federal Labor Standards Act: proposes a decrease of $65.8 million State General Fund (SGF) in FY 2015-16 primarily resulting from the revised implementation schedule for the payment of overtime, travel, and medical accompaniment to IHSS providers to comply with the U.S. Department of Labor's regulations that require overtime pay for IHSS providers. The implementation of the Federal overtime rules for IHSS providers was anticipated to begin on February 1, 2016, but it is now expected to begin in the fall.

- Restoration of IHSS Service Hours: continues to include an increase of $265.8 million SGF to reflect the restoration of the 7 percent reduction to IHSS service hours. The Governor's January Budget proposed funding this restoration using proceeds from the managed care organization tax. The restoration shall remain in effect until June 30, 2019, when the tax is scheduled to expire.

The Department of Public Social Services indicates that as long as the current IHSS Maintenance of Effort remains in place, there would be no direct fiscal impact to the County as a result of the restoration of the 7 percent reduction in IHSS service hours. According to DPSS, the overall impact of this action to consumers of the IHSS program continues to be positive, allowing consumers to receive hours previously lost with the budget reduction.

Minimum Wage Increase. The May Revision reiterates the Administration's commitment to incrementally raise the State minimum wage rate from $10 per hour to $15 per hour by 2023, as enacted in SB 3 (Chapter 4, Statutes of 2016). Under this measure, the minimum wage will increase to $10.50 per hour on January 1, 2017. The May Revision includes $39.4 million to reflect additional SGF costs associated with increased payments to IHSS and community-based service providers for developmentally disabled persons and increased Medi-Cal costs.

County Medi-Cal Administration. The May Revision retains County-supported funding included in the Governor's January Budget Proposal for an additional $169.9 million in FY 2016-17 and FY 2017-18 for counties to determine Medi-Cal eligibility on behalf of the State. This additional funding is needed due to increased Medi-Cal caseload from the implementation of the Federal Affordable Care Act (ACA) and the system built to automate eligibility determinations, the California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS), which is not yet functional. **DPSS indicates this additional funding will help with the increased workload for county eligibility workers to address rising caseloads under the ACA and with CalHEERS system challenges, and to continue to effectively determine Medi-Cal eligibility for County residents.**

Supplemental Security Income/State Supplemental Payment (SSI/SSP) Program. The May Revision proposes a decrease of $19.4 million in FY 2015-16 and $44.0 million in FY 2016-17 to reflect updated caseload and average cost-per-case projections under SSI and SSP. In addition, the May Revision continues to reflect a 2.67 percent cost-of-living increase, effective January 1, 2017, to the SSP portion of the SSI/SSP grant equivalent to the increase in the California Necessities Index. The Cash Assistance Program for Immigrants (CAPI) benefits are equivalent to SSI/SSP benefits, less $10 per month for individuals and $20 per month for couples. DPSS reports that as of November 2015, there were 6,594 individuals in Los Angeles County receiving CAPI benefits who would be eligible to this cost-of-living increase.

Child Welfare Continuum of Care Reform. The May Revision proposes $127.3 million for the implementation of the Child Welfare Continuum of Care Reform enacted under AB 403 (Chapter 773, Statutes of 2015). As previously reported, the reforms under this law emphasize home-based family care and a reduction in the number of foster youth in group home care, among other significant changes. Specifically, the May Revision includes: 1) a $59.9 million increase for county child welfare agencies and probation departments to continue the law's implementation; and 2) $6.4 million for county mental health costs, including participation in child and family teams, mental health assessments for children in foster care, and training for mental health providers. **This office is working with affected departments to determine the potential County impact of this proposal.**

Early Education and Child Care

Early Education Block Grant. The Governor's January Budget proposed a new $1.6 billion early education block grant focusing on disadvantaged students for local educational agencies that combines Proposition 98 funding from the State Preschool Program, transitional kindergarten, and the Preschool Quality Rating and Improvement System Grant. According to the May Revision, through the spring, the Administration engaged in public comment sessions on this proposal, and the May Revision proposes a detailed implementation plan with specified components developed for this consolidation. The plan includes a governance structure that includes school districts administering early education programs and county offices of education providing technical support and, where necessary, assisting school districts that lack the infrastructure to operate early education programs. In addition, the May Revision includes $20.0 million Proposition 98 SGF ($10 million ongoing and $10 million one-time) for county offices of education to begin work in the budget year to transition to the new early education program.

Local Child Care and Development Planning Councils (LPCs). The May Revision would eliminate Local Child Care and Development Planning Councils, including the membership bodies. Under the proposal, certain functions would be transferred to county offices of education as follows: 1) require county offices of education, either individually or in a consortium, to provide a forum for the identification of local priorities for child care and the development of policies to meet the needs identified within those priorities; 2) require county offices of education to conduct an assessment of child care needs in the county no less frequently than once every three years using data elements defined by the California Department of Education (CDE); and 3) allocate funds designated for LPCs in the annual Budget Act to county offices of education, beginning in FY 2016-17.

The Chief Executive Office - Office of Child Care indicates that currently, the Child Care Planning Committee serves as Los Angeles County's LPC. Membership of the Planning Committee includes Board of Supervisor appointees; full membership is approved by the Board annually. According to the Office of Child Care, LPC funding through the County's contract with the California Department of Education, which is $190,699 in FY 2015-16, is core to its work. It provides staff support to the Policy Roundtable for Child Care and Development and the Planning Committee, and administers the Investing in Early Educators Stipend Program and the California Transitional Kindergarten Stipend Incentive Program with funding from CDE, among other important functions.

This office is working with affected departments to further determine the potential County impact of these proposals.

Public Safety

Correctional System and Infrastructure Funding. The May Revision retains the commitment made in the Governor's January Budget to continue working with Los Angeles County to address alternative ways to create a more collaborative and efficient State and local correctional system. While the May Revision does not include any proposed funding or specific program proposals, it does suggest a new model of treatment aimed at reducing recidivism and system-wide costs. The Administration recommends, as one possible approach, the creation of a joint-use correctional treatment facility to serve as a diversion program for State and local inmates with high mental health or substance use disorder treatment needs. **This office, in collaboration with the Sheriff's Department, the Office of Diversion and Re-entry, and other impacted departments, will continue to work closely with the Administration to secure additional funding for the County's correctional system.**

Local Correctional Facilities. The May Revision maintains the Governor's January Budget to allocate $250.0 million for local jail construction and rehabilitation projects with an emphasis on building better beds, treatment, and programming space rather than simply increasing jail capacity.

2011 Public Safety Realignment Funding. The May Revision includes updated estimates of $1.2 billion in FY 2016-17 statewide base allocation funding. This reflects an overall increase of $85.0 million statewide compared to FY 2015-16. Additionally, the May Revision reflects updated estimates for growth funding of $85.1 million in FY 2015-16 and $102.0 million anticipated in FY 2016-17.

Attachment III includes a summary of the 2011 Public Safety Realignment estimates across all accounts.

Community Corrections Performance Incentive Grant. The May Revision includes $125.3 million statewide for the Community Corrections Performance Incentive Grant (SB 678, Chapter 608, Statutes of 2009), which provides county probation departments performance-based funding when they successfully reduce the number of adult felony probationers going to State prison. This represents a slight decrease of $4.4 million statewide for SB 678 payments to county probation departments, compared to the January Budget estimates. **The Probation Department estimates that the County will receive approximately $45.1 million in SB 678 funds in FY 2016-17.**

Proposition 47 of 2014. The May Revision includes higher estimates for statewide savings from Proposition 47, projected at $39.4 million, which reflects an increase of $10.2 million compared to the estimates in the Governor's January Budget. This estimate assumes savings from a reduction in the State's adult inmate population and a reduction of offenders resentenced and released from the Department of State Hospitals. The estimate reflects increased costs due to a temporary increase in the parole population and trial court workload associated with fewer felony filings and more misdemeanor filings. Pursuant to the initiative, these savings would be allocated to the following grant programs:

- $3.9 million for victim services programs (10 percent);
- $9.9 million for truancy programs (25 percent); and
- $25.6 million for local recidivism prevention programs (65 percent).

In addition, the Department of Finance projects future, ongoing savings of approximately $62.6 million annually statewide, an increase of $5.2 million from the January Budget.

Offender Rehabilitation Siting Incentive Grants. The May Revision retains the Governor's January Budget proposal for a $25.0 million siting grant program to encourage local communities to support housing that provides treatment and reentry programming to offenders from the criminal justice system. Additionally, the May Revision includes statutory language to implement this grant program, referenced as the Community-Based Transitional Housing Program. The program would include:

- Additional funds to local communities that site, for a minimum of 10 years, new transitional housing and supportive services for offenders released from State prison or county jail.

- A requirement that a portion of the funds be used by cities and counties to increase public safety around the facility and improve communication with neighbors.

- A requirement that grant funding be shared with non-profit facility operators to support rehabilitative services, security, and community outreach.

- A competitive application process that will protect existing permitted facilities, examine the current concentration of permitted facilities in the community; review the past performance of the facility operator; and give priority to cities and counties that leverage or provide other funding for the facility.

Transportation

Transportation Infrastructure. The Governor's January Budget estimated that the deferred maintenance on existing State infrastructure, including roads, highways, bridges and facilities, totals $8.0 billion in annual highway repair needs; the current fuel excise tax revenues are only sufficient to fund $2.3 billion, leaving $5.7 billion in unfunded repairs each year based on recent assessments of the State's deferred maintenance. The Governor's January Budget outlined a package of additional funding for State and local transportation priorities along with key program reforms.

The May Revision makes no changes to this ten-year $36.0 billion package which includes a combination of new revenues, additional investment of Cap and Trade auction revenue, accelerated loan repayments, Caltrans efficiencies and streamlined project delivery, accountability measures, and constitutional protections for the new revenues. Specifically, the proposal includes annualized resources as follows:

- $2.0 billion from a new $65 fee on all vehicles (including hybrids and electrics);
- $500.0 million from stabilizing the gasoline excise tax beginning in FY 2017-18;
- $500.00 million from increasing the diesel excise tax by 11 cents beginning in FY 2017-18;
- $500.0 million in additional cap-and-trade proceeds;
- $100.00 from cost saving reforms at Caltrans; and
- $879.0 million from accelerated loan repayments over the next four years from the State General Fund.

Proposed new revenues would be split evenly between State and local transportation priorities, with an emphasis on repairing and maintaining the existing transportation infrastructure and making a significant investment in public transit. It is estimated that the Governor's transportation package will provide $13.5 billion over ten years in new funding to local governments for local roads. Transit and intercity rail is projected to receive $4.0 billion in additional funding.

The May Revision includes partial first-year resources from the transportation package of $1.7 billion ($1.6 billion from new revenues and $173.0 million from loan repayments) which will be distributed as follows: local streets and roads ($342.0 million); low carbon road program ($100.0 million); transit and intercity rail capital program ($400.0 million); highway repairs and maintenance ($510.0 million); and trade corridor improvements ($200.0 million).

The $879.0 million in accelerated loan repayments will be used to support additional investments in the Transit and Intercity Rail Capital Program, trade corridor improvements, and repairs on local roads and the State highway system projects.

The Governor's transportation package also includes language that would eliminate the annual gasoline excise tax adjustment and set the price-based excise tax at $0.18 cents per gallon, setting the total State gasoline excise tax at $0.36 cents per gallon. This tax would be adjusted annually for inflation.

The Department of Public Works (DPW) reports that in FY 2016-17, the transportation funding package could provide the County approximately $34.0 million in additional revenue that would reduce the impact of the recent decline in gas tax revenues (see below). Thereafter, the County would receive approximately $95.0 million annually in additional funding to address the immediate backlog of maintenance, repair, and rehabilitation needs of the County's streets and highways, and to sustain ongoing state of good repair practices in future years.

Highway User Tax Account (HUTA) Revenues. The Highway User Tax Account revenues (gas tax) are a prime source of revenue for the construction, maintenance, and operation of streets and roadways throughout the unincorporated areas of the County. **For FY 2015-16, DPW projects a $46.0 million decline in gas tax revenues, or 25 percent, in comparison to revenues received in FY 2014-15.** DPW indicates that these reductions hamper the Department's ability to deliver ongoing operation and maintenance programs critical for the safety and quality of life of communities in the County and to implement needed infrastructure repairs and improvements. As previously reported, DPW has deferred $68.0 million in system preservation work on several County road projects as a result of decline in State gasoline excise tax revenues.

Federal Funding for Transportation. The May Revision reflects the availability of $582.0 million statewide in Federal funds from the Fixing America's Surface Transportation (FAST) Act that would provide additional funding for trade corridor improvements over the next five years. The FAST Act provides a five-year Federal authorization of highway, transit, safety, and rail programs. DPW indicates that California also is eligible to receive a portion of $900.0 million annually for Fostering Advancements in Shipping and Transportation of the Long-term Achievement of National Efficiencies (FASTLANE) competitive grants. FASTLANE grants can be applied to up to 60 percent of Nationally Significant Freight and Highway Projects program costs, with the remaining funds from State, local, or other Federal funding sources. The May Revision includes provisional language which makes other State and Federal funding available as a match for the remaining 40 percent. Caltrans proposes expending the formula funding pursuant to the Trade Corridor Improvement Fund Guidelines. **The Department of Public Works reports that the California Transportation Commission will allocate half of the funding to corridor-based projects proposed by local agencies and half to projects of statewide significance proposed by Caltrans.**

Redevelopment

The May Revision estimates that cities will receive an additional $673.0 million in general purpose revenue in FY 2015-16 and FY 2016-17 combined, with counties receiving $710.0 million and special districts receiving $316.0 million. The Administration estimates that additional ongoing property tax revenues of more than $3.2 billion will be distributed to cities, counties, and special districts by FY 2019-20. Additionally, the May Revision estimates that Proposition 98 SGF savings resulting from the dissolution of redevelopment agencies will be $1.3 billion in FY 2016-17.

The May Revision indicates that between the dissolution of redevelopment agencies on February 1, 2012 and FY 2014-15, approximately $3.0 billion in property tax revenue, including cities' and counties' share of unencumbered low and moderate income housing funds, has been returned to local governments. The May Revision also notes that local governments have complete discretion on how this money can be spent, including on affordable housing and homelessness.

The May Revision notes that successor agencies report outstanding loan balances due to cities and counties and to the low and moderate income housing funds in FY 2016-17, which would provide an estimated $108.0 million that must be used for affordable housing purposes by the housing successor agencies.

Attachment II

2016-17 Affordable Housing and Homelessness Funding

(Dollars in Millions)

Department	*Program*	*Amount*	
Department of Housing and Community Development	Mental Health Services Act Programs	$267	
	Federal Funds	$112	
	Housing for Veterans Funds	$75	
	Regional Planning, Housing, and Infill Incentive Account	$22	
	Office of Migrant Services	$6	
	Various	$94	
California Housing Finance Agency (CalHFA)[1]	Multifamily Conduit Lending	$300	
	Multifamily Lending	$190	
	Single Family 1st Mortgage Lending	$1,012	
	Mortgage Credit Certificates	$130	
	Single Family Down Payment Assistance	$48	
	Special Needs Housing Program	$55	2
Strategic Growth Council	Affordable Housing and Sustainable Communities	$400	3
Tax Credit Allocation Committee	Low Income Housing Tax Credits (Federal)	$225	4
	Low Income Housing Tax Credits (State)	$61	
	Farmworker Housing Assistance Tax Credits	$5	
Department of Veterans Affairs	CalVet Farm and Home Loan Program	$66	
Department of Social Services	CalWORKS Housing Support Program	$35	
	CalWORKS Homeless Assistance Program	$30	5
Department of Finance	Community-Based Transitional Housing Program	$25	
Department of Public Health	Housing Opportunities for Persons with AIDS (Federal)	$3	
Office of Emergency Services	Homeless Youth and Exploitation Program	$2	
California Department of Corrections and Rehabilitation (CDCR)	Integrated Services for Mentally-Ill Parolees	$2	
	Specialized Treatment of Optimized Programming, Parole Service Center, Day Reporting Center, Female Offender Treatment and Employment Program	N/A	6
Total		**$3,165**	

[1] Amounts are the estimated lending activities from CalHFA's 2016-17 business plan.

[2] This amount represents a voluntary allocation of Proposition 63 funds from 11 participating counties.

[3] Of the amount appropriated, statute requires at least 50 percent be committed to affordable housing. This program may also fund transportation, infrastructure, and other related uses for projects reducing greenhouse gas emissions.

[4] This amount represents the 9 percent tax credits available in 2016 and an estimated figure for 4 percent credit awards based on 2015. This figure does not include the $3.9 billion of tax-exempt bond debt allocation that is available for award from the California Debt Limit Allocation Committee.

[5] This amount is an estimated figure based on actual assistance provided in 2015.

[6] The state provides a number of wrap-around supportive services through these four programs, including housing support, which cannot be separated from CDCR's general budget.

Attachment III

2011 Realignment Estimate[1] - at 2016-17 May Revision

	2014-15	2014-15 Growth	2015-16	2015-16 Growth	2016-17	2016-17 Growth
Law Enforcement Services	**$2,144.4**		**$2,289.2**		**$2,402.6**	
Trial Court Security Subaccount	518.1	14.5	532.5	11.3	543.8	13.6
Enhancing Law Enforcement Activities Subaccount[2]	489.9	57.8	489.9	115.2	489.9	134.3
Community Corrections Subaccount	998.9	108.6	1,107.5	85.1	1,192.6	102.0
District Attorney and Public Defender Subaccount	17.1	7.2	24.4	5.7	30.0	6.8
Juvenile Justice Subaccount	120.4	14.5	134.9	11.3	146.3	13.6
Youthful Offender Block Grant Special Account	*(113.8)*	*(13.7)*	*(127.5)*	*(10.7)*	*(138.2)*	*(12.8)*
Juvenile Reentry Grant Special Account	*(6.6)*	*(0.8)*	*(7.4)*	*(0.6)*	*(8.1)*	*(0.8)*
Growth, Law Enforcement Services		**202.6**		**228.6**		**270.3**
Mental Health[3]	**1,120.6**	13.4	**1,120.6**	10.5	**1,120.6**	12.6
Support Services	**3,022.1**		**3,277.6**		**3,477.7**	
Protective Services Subaccount	1,970.7	138.5	2,109.2	94.8	2,204.0	113.7
Behavioral Health Subaccount[4]	1,051.4	117.0	1,168.4	105.3	1,273.7	126.4
Women and Children's Residential Treatment Services	*(5.1)*	-	*(5.1)*	-	*(5.1)*	-
Growth, Support Services		**268.9**		**210.6**		**252.7**
Account Total and Growth	**$6,758.6**		**$7,126.6**		**$7,523.9**	
Revenue						
1.0625% Sales Tax	6,210.9		6,521.5		6,899.7	
Motor Vehicle License Fee	547.7		605.1		624.2	
Revenue Total	**$6,758.6**		**$7,126.6**		**$7,523.9**	

This chart reflects estimates of the 2011 Realignment subaccount and growth allocations based on current revenue forecasts and in accordance with the formulas outlined in Chapter 40, Statutes of 2012 (SB 1020).

[1] Dollars in millions.

[2] Base Allocation is capped at $489.9 million. Growth does not add to the base.

[3] Base Allocation is capped at $1,120.6 million. Growth does not add to the base.

[4] The Early and Periodic Screening, Diagnosis, and Treatment and Drug Medi-Cal programs within the Behavioral Health Subaccount do not yet have a permanent base.